GOVERNMENT OF INDIA
CIVIL AVIATION
LOK SABHA

UNSTARRED QUESTION NO:3231
ANSWERED ON:10.12.2001
FINANCIAL AID TO AI & IA
GANTA SRINIVASA RAO

Will the Minister of CIVIL AVIATION be pleased to state:

(a) whether the Government have extended a 500 million indemnity to Air India as on November 30, while the same has been declined to Indian Airlines; and

(b) if so, the reasons for declining the same to Indian Airlines?

Answer

THE MINISTER OF CIVIL AVIATION (SHRI SYED SHAHNAWAZ HUSSAIN)

(a) and (b) :As per the agreement with the lessors/lenders of aircraft Air India is required to have insurance cover against the third party liability arising out of war and allied risks to the extent of US$ 1500 million. The insurance market was in a position to provide this cover only upto US$ 1000 million. Therefore, they had approached the Government to cover the balance US$ 500 million. Government of India had accordingly extended the US$ 500 million indemnity to Air India till November 30, 2001. Effective 1st December 2001, the insurance market has been able to provide cover upto US$ 1500 million. Air India has therefore availed of this cover and the Government indemnity which was in place upto 30th November 2001 has been withdrawn.
In the case of Indian Airlines, the insurance cover required is only US$ 500 million which they have been able to get through insurance market.